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July 17, 2013

***FILED VIA ECFS***

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12th Street, S.W., Room TW-B204  
Washington, D.C. 20554

**Re:   *Ex Parte* Notification  
      WC Docket No. 11-42**

Madam Secretary:

In accordance with Section 1.1206 of the Commission's Rules, 47 C.F.R. § 1.1206, we hereby provide you with notice of an *ex parte* presentation made in connection with the above-captioned proceeding.

On Monday, July 15, 2013, undersigned counsel, on behalf of Smith Bagley, Inc. ("SBI"), met with Kim Scardino, Radhika Karmarkar, Garnet Hanly, Michelle Schaefer, and Vickie Robinson (by telephone) of the Wireline Competition Bureau and Gina Spade (by telephone) of the Office of the Managing Director to follow up on SBI's June 12, 2013 *ex parte* letter regarding the biennial independent audit process ("Biennial Audit") applicable to ETCs receiving \$5 million or more in Lifeline support.

We noted that the Biennial Audit should be complementary, not duplicative, of existing audit and review procedures, and that it should be a high-level review of internal company procedures and controls regarding the aspects of the Lifeline program that present the greatest risk to the program.

We emphasized the Commission's determination that the Biennial Audit will be an agreed upon procedures ("AUP") audit, not a compliance attestation audit. As such, an auditor will not make judgments regarding a carrier's level of compliance, but rather report the results of the audit to USAC and the Wireline Competition Bureau. Based on the results, the Bureau can determine whether to relieve a particular company of the Biennial Audit requirement going forward. USAC can use the audit results to inform the targeting and structuring of its own oversight mechanisms.

We recommended that the Biennial Audit should review only the following carrier processes and procedures:

- Initial determination of program- or income-based eligibility
- Annual re-certification of subscriber eligibility

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- Duplicate Lifeline discounts provided to the same subscriber
- Duplicate Lifeline discounts provided to the same household
- Usage monitoring and de-enrollment for non-usage for subscribers not paying a fee for Lifeline service

We also noted that the Biennial Audit could include a limited sample of actual customer data sufficient to determine whether these internal controls are functioning and effective. We recommended that the appropriate sample size be 60 customers.

We encouraged the FCC to give interested parties an opportunity to submit comments on any proposed Biennial Audit rules and procedures prior to final adoption. We also suggested requiring USAC to conduct auditor training sessions and make training materials available on line.

If you have any questions or require any additional information, please contact undersigned counsel directly.

Respectfully submitted,



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cc: Kim Scardino  
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